

Message Text

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73

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01

SWF-02 IO-14 SIL-01 SCI-06 DRC-01 /192 W

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R 021722Z APR 74

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 265

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ETDR, PN

SUBJECT: BANANA EXPORT TAX

REFS: (A) STATE 057517

(B) PANAMA 1464

(C) PANAMA 1363

SUMMARY: PANAMA'S NATIONAL LEGISLATIVE COMMISSION APPROVED
LEGISLATION TO LEVY TAX ON BANANA EXPORTS, MAKING PANAMA
FIRST COUNTRY TO BEGIN IMPLEMENTING TAX AGREEMENT. NO EFFEC-
TIVE DATE FOR TAX GIVEN. IN ADDITION TO PREVIOUSLY REPORTED
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RATIONALE FOR TAX, GOP OFFICIAL SAID ACTION WAS INTENDED TO

AID INDEPENDENT GROWERS, END SUMMARY

1. LOCAL NEWSPAPERS REPORT PANAMA'S APPROVAL OF A 2.5 CENT PER POUND EXPORT TAX ON BANANAS. LEGISLATION APPROVED MARCH 27 MAKES PANAMA FIRST TO TAKE SUCH STEP IN IMPLEMENTING TAX AGREEMENT. NO EFFECTIVE DATE GIVEN. PRESS GAVE FOLLOWING ACCOUNT OF RATIONALE FOR TAX AS EXPLAINED BY GOVERNMENT SPOKESMAN. PANAMA'S EXPORTS OF BANANAS HAVE FALLEN BECAUSE OF DECREASE IN PRODUCTION OF INDEPENDENT GROWERS. LATTER HAVE BEEN FACED WITH RISING COSTS, AND UNCHANGED BANANA MARKET PRICES. INDEPENDENT GROWERS FINANCIALLY UNABLE TO CARRY OUT INVESTMENTS REQUIRED TO PRODUCE FIRST-GRADE EXPORT BANANAS. GOP WILL UTILIZE PART OF THE REVENUE RESULTING FROM THE NEW EXPORT TAX TO AID INDEPENDENT GROWERS WITH A VIEW TO INCREASING PRODUCTION. INDEPENDENT GROWERS ALSO PAY LOWER WAGES THAN UNITED FRUIT SUBSIDIARY, CAUSING LABOR UNREST. FINANCIAL RECOVERY OF GROWERS WILL ENABLE THEM TO PAY EQUIVALENT WAGES. EMBASSY BELIEVES THIS PART OF RATIONALE WHICH DEPARTMENT WISHES CLARIFIED IN REF A.

2. AT MEETING OF BANANA PRODUCING COUNTRIES IN PANAMA, COSTA RICAN MINISTER OF ECONOMY KOGAN COMPARED BANANA EXPORT TAX AGREEMENT TO PEEC COUNTRIES ACTING IN CONCERT TO RAISE PETROLEUM PRICES. AT OPENING OF MEETING, GENERAL TORRIJOS COMPLAINED PRIMARILY ABOUT WORKER "EXPLOITATION" AND NOTED FAILURE OF BANANA MARKET PRICES TO RISE IN TWENTY YEARS WHEN ALL OTHER COMMODITY PRICES HAVE BEEN RISING.

3. ORGANIZATION CREATED AT PANAMA, THE UNION DE PAISES EXPORTADORES DE BANANA (UPEB), IS CHARGED WITH "DEFENDING" BANANA PRICES IN ORDER TO OBTAIN "EQUITABLE TERMS OF TRADE." KNOWLEDGEABLE BANANA COMPANY OFFICER INFORMED EMBASSY HE BELIEVES THAT PANAMANIAN GOVERNMENT OFFICIALS THINK THEY CAN EMULATE PETROLEUM PRODUCING COUNTRIES' ACTIONS AND THAT GROWING CONCERN OVER BALANCE OF PAYMENTS PROBLEMS CAUSED BY SHARP RISE IN PETROLEUM PRICES WAS UNDERLYING REASON FOR ATTEMPT TO GENERATE OFFSETTING EXCHANGE EARNINGS BY FORCING BANANA EXPORT PRICES UP.
DANIELS

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Message Attributes

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Draft Date: 02 APR 1974
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